



# City of Santa Barbara

## MILLS ACT QUESTIONS & ANSWERS

1. **Q: What is the Mills Act?**

**A:** The Mills Act is a state act providing property tax abatement to owners of historic properties. The purpose of the Act is to encourage rehabilitation, as well as ownership of historic properties, by providing a financial incentive through property tax reduction. The Act uses an alternative equation to calculate property taxes, with the requirement that the savings be spent on qualified improvements to the historic property.

2. **Q: Who can apply for the Mills Act?**

**A:** Owners of designated historic properties can apply for the Mills Act. Designated historic properties include those individually listed as Landmarks or Structures of Merit, as well as contributors to a Historic District or a Neighborhood Conservation Area.

3. **Q: How can I apply for the Mills Act?**

**A:** The Mills Act Applications are extensive and require calculations and research that will likely require assistance from a professional accountant. Previous examples are also available on request. Applications are available by: 1) Picking up a copy up at the Planning Counter at City Hall on the 3<sup>rd</sup> floor, or 2) Contacting the Historic Preservation Staff at (951) 826-5371 or email at [jjacobus@SantaBarbaraca.gov](mailto:jjacobus@SantaBarbaraca.gov) and requesting a copy via the US Mail, or 3) Downloading a Mills Act Application off of the 'Historic Preservation' portion of the planning website at <http://www.SantaBarbaraca.gov/planning/historic.htm> under "Mills Act". Complete applications can be dropped off at the Planning Counter on the 1st Floor or via US mail at the following address: Planning Division, Historic Preservation, 630 Garden Street, Santa Barbara, CA 93101

4. **Q: How many Mills Act Applications are accepted annually?**

**A:** The City accepts 8 Mills Act contracts per year – six residential and two commercial, or up to eight residential if no commercial applications are submitted. If more applications than the allotted amount are received, the Mills Act contract recipients will be determined by a lottery system of the complete applications.

5. **Q: When are the Mills Act Applications due?**

**A:** Mills Act Applications are accepted during the month of June and must be received by the last business day in June.

6. **Q: What is the application fee?**

**A:** The application fee for Mills Act Contracts is \$40 at the time of application submission. Once the Mills Act application is approved by the Historic Landmarks Commission an initiation fee of \$400 will be due prior to final contract review and signatures.

7. **Q: How much will I save on my property taxes?**

**A:** The Mills Act uses an alternative equation to calculate the property taxes. This alternative equation can save property owners, especially those who have recently purchased property, up to 50% on the property tax bill. If the property has been owned for more than several

decades, the County Assessor does not recommend applying for the Mills Act as the savings will be negligible.

**8. Q: When will I start to receive my savings on my tax bill?**

**A:** Savings will appear on the tax bill for the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the calendar year it is recorded with the County and finalized. For Example, Mills Act participants from the 2010 year received the first tax bill savings on the fall of 2011 tax coupon, which is typical.

**9. Q: When do I start saving receipts from qualified property improvements?**

**A:** Start saving receipts for qualified improvements during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the approval with the City. For example, the Mills Acts approved in 2010 will start saving receipts from qualified improvements for the fiscal year July 2011- June 2012.

**10. Q: Can I spend all of my 10 year savings in one fiscal year for one big improvement project?**

**A:** No, the 10 year savings cannot be spent on one big project. The proposed tax savings must be spent on the historic property on an annual fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) basis.

**11. Q: Is the Mills Act transferable if I sell my property?**

**A:** Yes, Mills Act contracts are transferred to new property owners when the property is sold.

**12. Q: Does my property get reassessed if I sell my property, thus changing the monetary value of my savings?**

**A:** Yes, Mills Act contracts are reevaluated on an annual basis with the County Tax Assessor for tax savings. One of the factors the Assessor uses in determining the Mills Act tax bill is the current assessment value of the historic property. Were the property value to change, the tax savings could also see a change.

**13. Q: During what time frame do the property improvements need to occur?**

**A:** Qualified improvements need to take place during the fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>) following the approval, and subsequent fiscal years thereafter for 10 years. For example, Mills Act contracts approved in 2010 will start completing qualified improvements during the fiscal year July 2011 - June 2012.

**14. Q: What property improvements are eligible?**

**A:** Most improvements are eligible for the Mills Act, as the intention is to encourage property owners to continue to provide maintenance for the historic properties. The improvements need to be a permanent part of the property and/or property. For example:

A new outdoor seasonal gazebo would not qualify, but a permanent gazebo that is attached to a foundation would qualify.

New furniture would not qualify, but new built-in cabinetry or shelving would qualify.

**15. Q: Can I count the cost of labor for the improvements made to my property?**

**A:** Yes, the cost of labor can be included in the total cost of improvements to the property, as long as the labor has been completed by a qualified individual that can produce a verifiable receipt for the labor. Property owners cannot include the cost for the owner's personal labor. For Example:

If a property owner were to have the outside of the historic property painted by a painting company, the full cost of the bill could be counted as a qualified improvement.

If a property owner were to paint the property utilizing the property owner's own labor to apply the paint, the only costs that could count as an improvement are the cost of paint and paint prepping materials used to complete this qualified task.

**16. Q: How do the property inspections work?**

**A:** Members from the Planning Division's Historic Preservation staff may conduct periodic inspections to visit the historic property, one initial visit is required and in subsequent years to verify the projects that have been completed. These appointments will be scheduled in advance.

**17. Q: Can I change things on my submitted "10 Year Rehabilitation plan" for work on my property?**

**A:** Yes, previous submissions on the "10 Year Rehabilitation Plan" can be changed. Although Historic Preservation Staff ask for the Rehabilitation plan up front, changes are allowed on an annual basis. These changes must be submitted to the Historic Preservation staff in the Planning Division in writing prior to completion of the proposed qualified task.

**18. Q: How long is my Mills Act Contract good for?**

**A:** Participants enter into a perpetual 10 year contract with the City. Mills Act contracts are automatically renewed each fiscal year (July 1<sup>st</sup> to June 30<sup>th</sup>). The contract is renewable at the City's discretion for subsequent years after the 10 year contract is complete.

**19. Q: Who approves the contract I have with the City for my Mills Act Property?**

**A:** The Community Development Director approves the Mills Act contract before the end of the application's calendar year.

**20. Q: What happens if I do not fulfill my obligation to the Mills Act?**

**A:** The Mills Act is a privilege given to those who have willingly applied and been accepted through the extensive application process. The Mills Act is an incentive for those who own historic properties by providing financial assistance through tax savings. However, the Mills Act is also a legal contract and is enforceable by law. Penalties may incur if owners do not fulfill the obligation required by the contract to spend the tax savings on the repair and maintenance of the historic property.